

Agenda Item 4.04.B.

**Consideration of Performance Funding Ratings and Appeals for 2003-04 to impact
Fiscal Year 2004-05 Allocations**

Recommendations for ratings for the 2003-04 performance year are attached in the “report card” format accompanied by a summary of overall institutional performance. (See **Attachments 1 and 2**) All scoring recommendations, except one, reflect a comparison of performance against the approved standards and an assignment of scores as indicated. The one exception involves an appeal of Northeastern Technical College for special consideration in the scoring for Indicator 1D/E (i.e., the campus-specific indicator related to the institution’s strategic plan) in light of special circumstances affecting the institution’s performance in the current year. The Committee approved staff’s recommendation to accept the institution’s appeal and the Committee’s recommendation for this appealed case is denoted in Northeastern’s report by a footnote and with the letter “A” displayed next to the indicator score.

At its meeting on May 6, the Finance and Facilities Committee considered staff’s recommendations for institutional performance ratings for the current year. As has been the case in the past, the Committee considered separately staff’s recommendations for those indicators that have been appealed and those indicators for which scores have not been questioned or appealed by institutions. Institutions that submitted an appeal were provided the opportunity to present their case directly to the Committee. After considering the appealed case, the Committee considered staff’s recommendations for the performance ratings. The Finance and Facilities Committee’s recommendations will be considered by the full Commission at its meeting on June 3, 2004.

PERFORMANCE RATING FORMAT

Each institution report is 4 pages in length with a format similar to that used for the past several years.

- Page 1 is a summary display of the institution’s overall performance and contains data or “quick facts” about the institution generally.
- Pages 2-4 provide an indicator-by-indicator report of performance and scores and a summary of overall performance. Indicators are listed by “Critical Success Factor.” Only indicators yielding numeric data and scores are displayed in detail, and the information displayed includes: the indicator reference number and title, the timeframe for the current year data, three years of historical data, current year performance data, the standard applied to derive the score, information regarding the improvement factor, and the staff recommended score for each subpart measure and for each indicator. Applicable notes regarding scored indicators and other indicators that are not scored numerically are provided for each “Critical Success Factor.” A summary of the institution’s overall performance is found on page 4.

RATINGS RECOMMENDATIONS: A REVIEW OF THE PROCESS AND SUMMARY

In the current year and for the past two, institutions' ratings have been based on 13 or 14 indicators that were identified as best reflective of sector missions from among the 37 indicators used in the past. A collaborative process between CHE and the institutions was instrumental in identifying the indicators that now contribute to institutional scores. The applied scored indicators vary across and within sectors, and definitions for a particular indicator may also vary across and within sectors. These differences are footnoted in the ratings reports. A few examples include: indicators (6AB, 7A, 9A) defined specifically for MUSC as a free-standing graduate health sciences institution; an indicator (4A/B) defined differently for each sector and in consultation with each sector focusing on collaboration and cooperation; an indicator (7A) defined differently for two- and four-year institutions, and an indicator (1D/E) specific to each institution that is defined by the institution focusing on institutional and/or state-wide goals.

Data Collection and the Process for Developing Scoring Recommendations

During fall 2003 and early spring 2004, data for indicators are gathered from CHEMIS information or reports from institutions. Timeframes of performance data for indicators typically represent the most recent fall data for academic indicators (Fall 2003 for this year) or the most recent-ended Fiscal Year for financial indicators (2002-03 for this year). All performance data by indicator and institution that were used in determining this year's results are accessible at http://www.che.sc.gov/Finance/Perf_Fund/Yr8Data.htm. Guidance for the performance funding system and details related to measurement is accessible at http://www.che.sc.gov/Finance/Perf_Fund/Perform_F.htm.

Once the data are collected, performance on each indicator is determined by comparing the data to a standard that was approved and set in terms of a range for "Achieves." Institutions receive 2 points for being at or within the designated "Achieves" range, 1 for being out of range in the undesired direction, and 3 for being out of the range in the desired direction. Additionally, for some indicators, institutions scoring 1 or 2 points may be eligible for an additional 0.5 points if their performance is better than their past performance by a specified percentage of that performance. An institution's overall performance is then determined by computing the average of the scores for each indicator. It is the average score that is used in placing an institution in one of five overall performance categories (*Substantially Exceeds*, *Exceeds*, *Achieves*, *Does Not Achieve*, and *Substantially Does Not Achieve*). The category is considered the institution's annual performance and is ultimately used in funding determinations based on an allocation plan adopted by the Commission. The ranges used in determining the overall performance category for an institution have been in effect since 1998-99.

This year represents the third year in which common standards for institutions within sectors based on national, state or peer data, as available, have been in effect. The standards in effect this year were initially approved in 2001 and then reviewed and re-approved in 2003. In determining standards, data are reviewed and a rationale or methodology is determined for establishing a range. As a result, the standards used for a particular indicator vary across and within sectors. For example, in the research sector, peer data for a particular institution in the sector, when available, are used in considering standards for each individual research institution. Therefore, although a similar methodology may have been used to determine standards for an indicator (e.g., being within a certain percentage of a salary average for indicator 2D), each research institution may have different standards on the same indicator because of differences in

peer data considered for each. In other sectors, peer data, when available, are aggregated and considered in establishing ranges for the sector institutions as a whole.

The process for developing the performance rating recommendations has been consistent for the past six years. Preliminary information is distributed to each institution for review. Data concerns or questions are resolved, and institutions are provided the opportunity to appeal in writing any special considerations they wish the Commission to consider.

This year, each institution received a preliminary report of its ratings recommendations on April 2, 2004. As indicated previously, these recommendations were developed by comparing performance against the pre-determined standards. Institutions were asked to respond in writing, with adequate supporting documentation, by April 16, if they wished to appeal a score for special consideration. Only one institution, Northeastern Technical College, submitted written concerns regarding its score on indicator 1D/E. In comparison to past years, there were 2 appealed indicators last year and 7 in the year before that one. Staff also responded to issues raised either internally or externally from institutions as scores and data are reviewed. Staff reviewed such concerns across 9 institutions and 7 indicators and made corrections to 22 data points. Only 7 of the corrections resulted in revised indicator scores and one change resulted in an increased overall score.

Summary of Overall Scores for 2003-04

The attached recommendations reflect an average score for all institutions of 87% or 2.61. Again this year, institutional performance fell into one of the top three of the five performance categories. Across the 33 institutions, 3 scored “Substantially Exceeds” (1 research, 1 teaching, 1 technical college); 16 scored “Exceeds” (2 research, 3 teaching, 2 regional and 9 technical); and 14 “Achieves” (6 teaching, 2 regional, and 6 technical). In comparison with last year, the average score for all institutions was 87% or 2.61 with 3 scoring “Substantially Exceeds” (2 research, 1 teaching); 16 “Exceeds” (1 research, 2 teaching, 1 regional and 12 technical); and 14 “Achieves” (7 teaching, 3 regional, and 4 technical). The scale for each overall performance range is presented on the first page of each institution’s report. For a summary of the 2003-04 scoring recommendations, see **Attachment 1**. Institutional reports are included as **Attachment 2**.

Recommendation:

The Finance and Facilities Committee recommends that The Commission on Higher Education approve the 2003-04 indicator and overall performance ratings as indicated in the attached materials.

- Attachments:**
1. Summary of Overall Institutional Performance for 2003-04
 2. Institutional Performance Reports for 2003-04